

IRAQ RECONSTRUCTION ECONOMIC GOVERNANCE

USAID awarded an \$80-million contract to BearingPoint in July to support integrated and sustainable economic reform in Iraq by facilitating regional and international economic integration, stimulating international trade and increasing employment and prosperity.

BearingPoint examines current government policies, laws, regulations, and institutions that regulate trade, commerce, and investment, supporting such institutions as the Central Bank and the Ministries of Finance, Trade, Commerce, and Industry. The size and capacity of the public sector, the relationships between key industries and government, and constraints to sector export growth are assessed as well.

Accomplishments

- Seventeen taskings have been approved by the CPA and are in various stages of implementation. These tasks are related to Currency Conversion, Currency Auction and Monetary Data, State-owned Enterprises, Credit for Small Businesses, Commercial Legislation, Coordination of a National Employment Program, Bank-to-bank Payment System, Financial Management Information System, Tax Policy, Tax Administration, Budget Planning, Capital Budget Planning, State-owned Insurance Companies, Electricity Reform, and Electricity Regulatory Reform.
- Worked with the Ministry of Finance to help introduce a new national currency, allowing banks to exchange old currency for new starting October 15.
 - By mid-October, the Central Bank of Iraq has reduced the amount of old currency in circulation by roughly one third from approximately 3.4 trillion to 2.3 trillion Iraqi Dinars.
 - Developed the overall management plan for the currency exchange operation, including security and logistics.
 - Conduct a daily currency auction with banks exchanging dinars for dollars.
- Began developing the bank-to-bank payment system that allowed banks to conduct business by mid-September and 80 banks by late October. Some basic training has been provided.
- Assisting CPA to manage a micro-lending program to begin in late 2003.
 - CPA will program \$16 million to micro-lending in the northern and central regions of Iraq.
- More than 11,200 jobs have been created to date by the National Employment Program, a pilot public works program that intends to generate 100,000 jobs per quarter.
- Evaluation of commercial laws pertaining to private sector and foreign investment is underway.

Next Steps

- Define activities in central bank reform, commercial bank reform, private sector development, and regulatory reform.
- Support the upcoming currency exchange.
- Oversee the design and management of business credit facilities.
- Recommend changes to key commercial laws.